
NEW MOUNT COSTIGAN
MINES LIMITED

Annual Report
1968



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OFFICERS

W. L. YOUNG	-	-	-	-	-	-	-	-	-	-	-	<i>President</i>
G. D. PATTISON	-	-	-	-	-	-	-	-	-	-	-	<i>Executive Vice-President</i>
R. D. BELL	-	-	-	-	-	-	-	-	-	-	-	<i>Secretary-Treasurer</i>
J. P. BRISBOIS	-	-	-	-	-	-	-	-	-	-	-	<i>Assistant Secretary-Treasurer</i>

DIRECTORS

[illegible]

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA - - - Toronto, Ontario

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON - - Toronto, Ontario

HEAD OFFICE

SUITE 509, 25 ADELAIDE STREET WEST - - - - Toronto, Ontario

NEW MOUNT COSTIGAN MINES LIMITED

SUITE 509, 25 ADELAIDE STREET WEST, TORONTO 1, CANADA

Directors' Report

To the Shareholders,
NEW MOUNT COSTIGAN MINES LIMITED.

Presented herewith are the consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 1968, with Auditors' Report thereon dated February 21, 1969.

NARACOOPA RUTILE LIMITED

During 1968 the principal activity relating to your Company was the construction of a concentrating plant by its subsidiary, Naracoopa Rutile Limited, to produce rutile and zircon concentrates at a designed rate of 10,000 tons each per annum. Naracoopa Rutile's beach sand property is located at Naracoopa, King Island, which is situated in Bass Strait between Tasmania and the Australian mainland.

At the year end after some delays had been encountered due to a prolonged period of bad weather and late delivery of equipment, the construction program was essentially completed and the plant had commenced tune-up operations. As tune-up operations proceeded it became evident that certain modifications to equipment were required to produce an acceptable product. By mid May of the current year modifications were completed and the plant had achieved continuous operation at about 60% of its planned capacity. Product quality which was erratic during the early part of 1969 is now up to specifications and is acceptable to the purchasers. It is expected that the first overseas shipment of concentrates will be made during July.

In the feasibility study prices of rutile and zircon were estimated at \$A85.00 and \$A30.00 per ton respectively. Recent prices and forecasted prices for rutile indicate that higher prices may be expected for some considerable time. No difficulty is expected in selling zircon, also at higher prices. In addition, some income is expected from the sale of tin concentrates being recovered in the separation process.

Naracoopa Rutile has been fortunate in acquiring the services of management and staff experienced in the field of mineral sand separation.

Reserves of heavy minerals remain as originally estimated, that is, sufficient to sustain production for about eight years. No additional exploration to increase reserves has yet been carried out but improved prices for rutile and zircon should permit the addition to reserves of material previously considered uneconomic. Also material being processed from the beach deposits is averaging a consistent higher quality than was indicated from test drilling.

COSTIGAN MINING AUSTRALIA PTY. LIMITED

Your Company's wholly owned subsidiary, Costigan Mining Australia Pty. Limited, which was incorporated in Australia under the laws of New South Wales, has been active in mineral exploration in Australia and has made several property examinations.

Participation was taken in the King Island Joint Venture, a syndicate formed to explore for minerals on King Island. No mineral deposits of economic interest were found.

The Company is also participating in the examination of a copper prospect in the Bathurst area of New South Wales.

GENERAL

The Company continues to hold a 10% interest in the outstanding common shares of Comstaff Proprietary Limited which is carrying on a major exploration program covering a large area in northwestern Tasmania.

On behalf of the Board,

Toronto, Ontario,
June 12, 1969.

G. D. PATTISON,
Executive Vice-President.

NEW MOUNT COSTIGAN MINES LIMITED

(Incorporated under the laws of Ontario)
AND ITS SUBSIDIARIES

Consolidated Balance Sheet – December 31, 1968

(with comparative figures at December 31, 1967)

ASSETS

	1968	1967
CURRENT ASSETS		
Cash	\$ 15,772	\$ 11,367
Short term deposit	119,000	
Accounts receivable	9,873	11
Due from director		5,455
	<u>144,645</u>	<u>16,833</u>
INVESTMENTS, at cost (no quoted market value)		
Shares (note 2)	86,862	86,617
Advances	7,292	8,532
	<u>94,154</u>	<u>95,149</u>
FIXED ASSETS IN AUSTRALIA, at cost		
Mining property	239,426	166,764
Land, buildings, machinery and equipment	765,769	
	<u>1,005,195</u>	<u>166,764</u>
MINING CLAIMS		
Cost (note 3)	3,438	190
Deferred exploration expenditures	22,959	35,840
Exploration data, Maritime Provinces, at nominal value	1	1
	<u>26,398</u>	<u>36,031</u>
DEFERRED CHARGES		
Preproduction expenditures in Australia	64,620	
Incorporation and financing expenses	6,527	
	<u>71,147</u>	
	<u>\$1,341,539</u>	<u>\$ 314,777</u>

AUDITORS' REPORT

To the Shareholders of
New Mount Costigan Mines Limited

We have examined the consolidated balance sheet of New Mount Costigan Limited and its subsidiaries, the consolidated statements of deferred exploration expenditures, deficit, administrative expenses and cash flows, and the general review of the accounting procedures and such tests of accounting records as we considered necessary.

In our opinion these consolidated financial statements present fairly the financial position of the company and the source and application of their funds for the year then ended, in accordance with the requirements of the Companies Act of the preceding year.

Toronto, Canada
February 21, 1969

LIABILITIES

CURRENT LIABILITIES

	1968	1967
Bank loans, secured (note 4)	\$ 145,249	
Accounts payable and accrued liabilities	25,277	\$ 8,005
Loan payable, secured (note 5)	59,500	
Loan payable to a shareholder		25,000
	<u>230,026</u>	<u>33,005</u>

MINORITY INTEREST, in Naracoopa Rutile Limited

Preference shares (note 6)	610,000	
Ordinary shares	129,759	
	<u>739,759</u>	

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 7)

Authorized

200,000 5% Non-cumulative preference shares, redeemable at
par value of \$1 each

5,000,000 Common shares without par value

Issued

128,879 Preference shares	128,879	128,879
2,530,964 Common shares (1967, 1,898,223 shares)	740,930	582,745

	869,809	711,624
DEFICIT	498,055	429,852
	<u>371,754</u>	<u>281,772</u>

Approved by the Board:

G. D. PATTISON, Director.

R. D. BELL, Director.

<u>\$1,341,539</u>	<u>\$ 314,777</u>
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nes Limited and its subsidiaries as at December 31, 1968 and the consolidated
rce and application of funds for the year then ended. Our examination included a
her supporting evidence as we considered necessary in the circumstances.

sition of the companies as at December 31, 1968 and the results of their operations
h generally accepted accounting principles applied on a basis consistent with that

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

NEW MOUNT COSTIGAN MINES LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION EXPENDITURES
Year Ended December 31, 1968
(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
NARACOOPA MINING PROPERTY		
Consulting fees		\$ 8,827
Diamond drilling		5,452
Engineering fees		23,419
General field expenses		4,666
Government fees and licenses		2,053
Office expenses		1,245
Sampling and testing		7,003
Travel and transportation		12,454
Wages and benefits		8,473
		<u>73,592</u>
OTHER		
Consulting fees	\$ 13,892	3,275
General field expenses	368	(551)
Office expenses	407	
Sampling and testing	558	
Syndicate participation	3,382	24,351
Travel and transportation	3,738	
Wages and benefits	6,307	
	<u>28,652</u>	<u>27,075</u>
Expenditures for the year	28,652	100,667
Balance deferred at beginning of year	35,840	144,495
	<u>64,492</u>	<u>245,162</u>
DEDUCT		
Expenditures transferred to cost of Naracoopa mining property		137,832
Expenditures written off to deficit		
General exploration	13,800	71,490
Syndicate participation	27,733	
	<u>41,533</u>	<u>209,322</u>
Balance deferred at end of year	<u>\$ 22,959</u>	<u>\$ 35,840</u>

NEW MOUNT COSTIGAN MINES LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF DEFICIT

Year Ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
Deficit at beginning of year	\$ 429,852	\$ 340,939
Amounts written off		
Exploration expenditures	41,533	71,490
Administrative expenses	27,436	17,423
	498,821	429,852
Less profit on sale of marketable securities	766	
Deficit at end of year	<u>\$ 498,055</u>	<u>\$ 429,852</u>

CONSOLIDATED STATEMENT OF ADMINISTRATIVE EXPENSES

Year Ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
Annual report and shareholders' information	\$ 2,751	\$ 2,184
Audit	2,105	1,655
Directors' fees	450	
Head offices administration	4,969	2,400
Legal	2,724	7,192
Office and general expenses	4,502	5,780
Stock transfer	2,379	3,709
Supplementary Letters Patent		1,035
Travel	8,124	1,668
Expenses for year	28,004	25,623
LESS		
Dividends received	568	
Expenses transferred to interest in mining property		8,200
	<u>\$ 27,436</u>	<u>\$ 17,423</u>

NEW MOUNT COSTIGAN MINES LIMITED
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year Ended December 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
SOURCE OF FUNDS		
Issue of common shares	\$ 158,185	\$ 130,000
Issue of shares of subsidiaries to minority shareholders		
Common shares	62,293	
Preference shares	610,000	
Recovery of advances	1,250	
Profit on sale of marketable securities	766	
	<u>832,494</u>	<u>130,000</u>
APPLICATION OF FUNDS		
Additions to mining property		
Exploration expenditures		73,592
Administrative expenses		8,200
Exploration advances, not expended until 1968		9,837
Purchase of additional property	5,196	
	<u>5,196</u>	<u>91,629</u>
Purchase of fixed assets	765,769	
Preproduction expenditures	64,620	
Purchase of mining claims	3,248	
Exploration expenditures	28,652	27,075
Administrative expenses	27,436	17,423
Purchase of shares in another company	245	
Advances	10	1,284
Incorporation and financing expenses	6,527	
	<u>901,703</u>	<u>137,411</u>
Decrease in working capital position	69,209	7,411
Working capital deficiency at beginning of year	16,172	8,761
Working capital deficiency at end of year	<u>\$ 85,381</u>	<u>\$ 16,172</u>

NEW MOUNT COSTIGAN MINES LIMITED

AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 1968

1. BASIS OF CONSOLIDATION

The accounts of the company's wholly owned subsidiary, Costigan Mining Australia Pty. Limited and its subsidiary, Naracoopa Rutile Limited are consolidated in these financial statements. The subsidiaries were incorporated in 1968 under the laws of New South Wales, Australia.

The accounts of the subsidiaries are maintained in Australian dollars and have been converted as set out below except in those cases where actual dollar amounts are applicable to particular transactions.

Current assets and current liabilities Cdn. \$1.19=A.\$1 the prevailing rate at December 31, 1968. All other assets, liabilities and the minority interest are converted at Cdn. \$1.22=A.\$1, the average rate for the year. In 1968, New Mount Costigan exercised its option to acquire certain mining lands on King Island, Australia and caused the incorporation of Naracoopa to acquire the property and be the operating company. Costigan Mining Australia was incorporated to hold the company's 86% interest in common shares of Naracoopa. Holders of 200,000 of the outstanding 500,000 preference shares of Naracoopa may, at their option, convert their preference shares into 400,000 common shares in lieu of redemption on September 30, 1971, thereby reducing the company's interest in the common shares of Naracoopa to 68% provided there are no further issues of common shares.

2. INVESTMENTS

Included in investment in shares is the company's investment in Comstaff Proprietary Limited at cost of \$86,617.

By agreement dated September 16, 1964 as amended with Broken Hill South Limited, the company's interest in the Mount Bischoff property was sold to Comstaff Proprietary Limited, an Australian company, incorporated as the operating company for further development of the property. Funds previously expended by the company on the property totalling \$86,617 represent the cost of a continuing 10% interest in the common shares of Comstaff.

3. MINING CLAIMS

The company holds mining claims in Lake Ainslie, Nova Scotia acquired for \$190.

By agreement dated July 26, 1965 the company was granted exclusive exploration and development rights covering a group of claims adjoining the Lake Ainslie claims with respect to metallic minerals and ore and the company granted an equivalent right to the owner of the adjoining claims with respect to barium and fluorine deposits on the Lake Ainslie claims. The agreement provided that the company would receive a royalty of 50 cents per ton on barite and fluorite concentrates, pellets or other products removed and sold from the Lake Ainslie claims and would pay a royalty of 5% of net smelter returns from all metallic minerals and metallic mineral ores taken from the adjoining claims and sold by the company. During 1966 the company accepted \$30,000 as full settlement of all royalties up to \$95,000 which would be payable to New Mount Costigan under the agreement on the first 24 months' commercial production of compounds from the Lake Ainslie claims.

In addition, Costigan Mining Australia has acquired certain other claims in Australia at a cost of \$3,248.

4. BANK LOANS

Bank loans are as follows:

Costigan Mining Australia Pty. Limited	\$ 56,444
Naracoopa Rutile Limited	88,805
	<u>Cdn. \$ 145,249</u>

NEW MOUNT COSTIGAN MINES LIMITED

AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The loan of Costigan Mining is secured by pledge of its investment in Naracoopa Rutile.

The loan of Naracoopa Rutile (up to a maximum of A.\$99,000, Cdn. \$118,000 approximately) is secured equally with the loan from the marketing agent (see note 5) by a mortgage on all the assets of the company.

5. LOAN PAYABLE

In consideration for its appointment as marketing agent for Naracoopa Rutile, Derby & Co. has agreed to loan Naracoopa A.\$125,000 (Cdn. \$149,000 approximately). The loan is payable at the rate of A.\$10 per ton of concentrates sold but in any event not later than March 31, 1970. As at December 31, 1968 A.\$50,000 (Cdn. \$59,500) has been received. (See note 4.)

6. PREFERENCE SHARES OF SUBSIDIARY

Naracoopa Rutile has issued and outstanding at December 31, 1968, 500,000 9% cumulative preference shares of par value A.\$1 each (Cdn. \$610,000) redeemable at par as follows:

200,000 shares on or before September 30, 1970

200,000 shares on or before September 30, 1971, provided that the holders may convert these shares into 400,000 common shares at redemption

100,000 shares on or before September 30, 1972

7. CAPITAL STOCK

By Supplementary Letters Patent dated June 28, 1967 the common shares of the company were consolidated on the basis of 3 shares for each 5 shares previously issued.

Summary of common shares issued are as follows:	No. of Shares	Consideration
Issued at December 31, 1966	2,563,705	\$ 452,745
Issued for cash prior to reorganization	400,000	80,000
	2,963,705	532,745
Cancelled by Supplementary Letters Patent	1,185,482	
	1,778,223	532,745
Issued for cash subsequent to reorganization	120,000	50,000
Issued at December 31, 1967	1,898,223	582,745
Issued for cash pursuant to rights offering	632,741	158,185
Issued at December 31, 1968	2,530,964	\$ 740,930

8. COMPARATIVE FIGURES

1967 figures have been reclassified to give effect to financial statement presentation adopted in 1968.

9. OTHER STATUTORY INFORMATION

The company has not provided for depreciation of fixed assets nor amortization of deferred charges pending commencement of a commercial level of production.

Direct remuneration of directors and senior officers (as defined by The Corporations Act) amounted to \$14,250 in 1968 (1967, \$7,915).